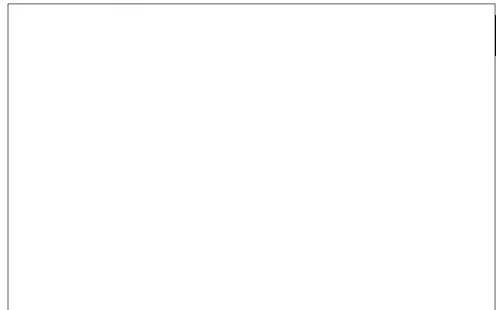




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National Intelligence Daily

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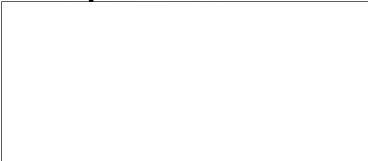
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LEBANON-SYRIA: Gemayel Under Siege

Serious political and military challenges are jeopardizing the presidency of Amin Gemayel and threaten to precipitate a new round of ground fighting between the Army and Syrian-backed opposition forces on the Alayh ridgeline. []

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Gemayel accepted the resignation of Prime Minister Wazzan and the cabinet yesterday but implored the cabinet members to remain as caretakers until a new government is formed. Gemayel has said he hopes to create a "government of national unity" under his leadership. []

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The US Embassy states that both the Sunni Murabitun militia and the Shia Amal militia participated in attacks on Army positions in the capital yesterday. A key Sunni leader in West Beirut announced the formation of an "Islamic Resistance Front," which reportedly will join the National Salvation Front and Amal in opposing the Gemayel government. []

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Comment: Gemayel probably hopes the creation of a government that includes opposition figures will alleviate the immediate crisis and prevent the collapse of his presidency. Most of the available Sunni, Shia, and Druze politicians whom he could appoint to a new cabinet, however, are susceptible to Syrian pressure. []

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Gemayel has to first appoint a Sunni Muslim as prime minister. He almost certainly realizes that nearly all Sunni politicians—as well as key opposition leaders Barri, Junblatt, and Franjiyah—will demand fundamental changes in Lebanon's political system and the abrogation of the Lebanese-Israeli accord signed last May as preconditions to participation in such a government. []

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The Army is struggling to retain strategic positions around Beirut. The involvement of Sunni Murabitun militiamen—who refrained from attacking the Army during the uprising in September—suggests that the Army will have greater difficulty in calming the situation in the capital now than it did in September. []

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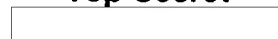
Neither side has yet begun major troop movements on the ground, despite the intensity of the fighting on the Alayh ridgeline. The growing anticipation of an imminent offensive on both sides, however, could prompt either the Army or the opposition militias to launch a preemptive ground attack. 

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Reports of large-scale Shia defections from the Army appear to be exaggerated. Nonetheless, the Army's cohesion is being strained by the continuing violence. If General Tannous launches a ground assault on the Alayh ridgeline or attempts a counteroffensive in the capital to push back Muslim street fighters, the number of defections almost certainly will rise. 

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USSR: Andropov's Health May Have Worsened

The cancellation of Defense Minister Ustinov's visit to India planned for this week strongly suggests that General Secretary Andropov's health may have taken a sudden and unexpected turn for the worse. [redacted]

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TASS announced the cancellation on Saturday, only three days after the Soviets had officially announced the trip. [redacted]

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[redacted] The Soviets decided to call off the visit for "domestic reasons," according to press accounts. [redacted]

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Comment: High-level officials recently had been more positive about Andropov's health, indicating he was recovering and working part time. Party secretary Gorbachev's vacation to Georgia last month and Ustinov's planned visit seemed to assume that Andropov's condition was stable or improving. [redacted]

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The cancellation suggests that these assumptions are no longer valid. The decision to keep Ustinov in Moscow probably was reached at a Politburo meeting on Thursday or Friday. [redacted]

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If Andropov is gravely ill, Ustinov's own political interests require that he remain in Moscow now. As the leader after Andropov with the most prestige and authority, Ustinov would want to be available to give direction to succession politicking. [redacted]

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Other reasons, such as an unexpected health problem for Ustinov, a hitch in Indian-Soviet relations, or perhaps even developments in Lebanon could be responsible for the cancellation. Nevertheless, the seriousness of Andropov's condition for the past several months makes it the most likely reason. [redacted]

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Andropov may bounce back, but, if his health is as grave as the sudden decision to cancel Ustinov's trip suggests, other signs of an imminent succession should be seen this week. Evidence of maneuvering for succession would include an unusual level of leadership activity around the Kremlin or Central Committee buildings in Moscow, heightened security measures, the return of out-of-town Politburo members, and anomalies in protocol indicators. [redacted]

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There is no clear choice now as to Andropov's likely successor. Although Gorbachev evidently is Andropov's choice, both he and party secretary Romanov, the other younger candidate, have significant liabilities that make them less than ideal candidates. The Politburo, therefore, could turn to Ustinov, particularly if he wants the position. [REDACTED]

25X1

Age and ill health have created problems for the leadership in the past few years. Ustinov's age, therefore, may be seen as a serious liability. On balance, their position in the Secretariat, age, and abilities appear to make Gorbachev and Romanov the front-runners. [REDACTED]

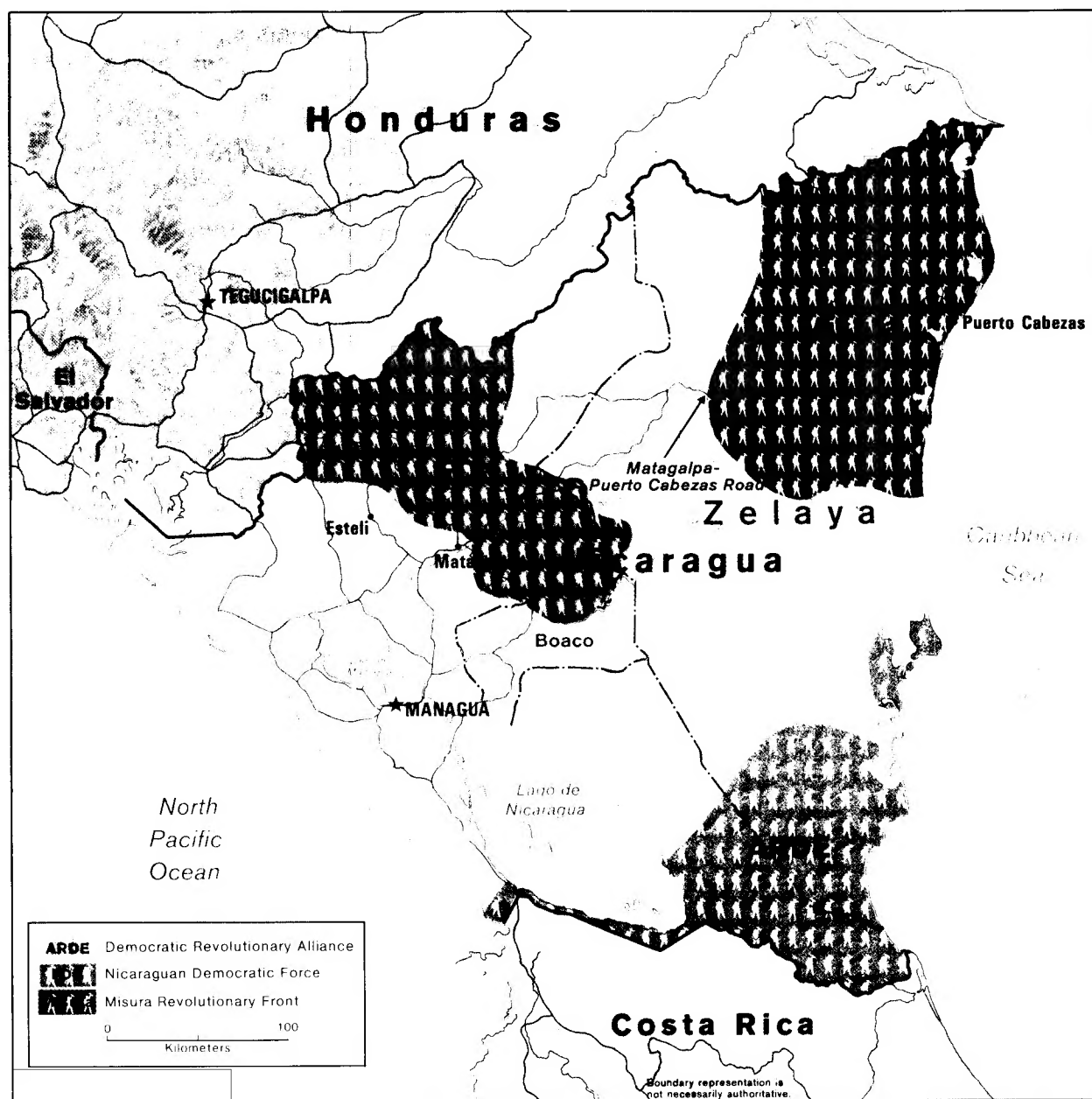
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NICARAGUA: Insurgent Activity

Leadership and supply problems continue to plague anti-Sandinista guerrillas in the south, but Managua is facing stronger pressure from northern insurgents. [REDACTED]

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Combat is still widespread in the north, where recent US defense attache reports indicate the insurgents are holding some high ground near Esteli. Travel in eastern Boaco Department is restricted because of guerrilla activities there. [REDACTED] the Sandinistas last month suspended construction on the road between Matagalpa and Puerto Cabezas because of the insurgent presence.

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The Sandinistas recently have suffered several setbacks as a result of poor communications. The US Embassy in Managua reports that an Air Force transport was shot down by government troops, [REDACTED]

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Comment: [REDACTED]

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The insurgents in the north currently are finding it easier to maintain their positions in the region, apparently as a result of their improved handling of logistic problems. During their major operations in 1983, large numbers of guerrillas had to return to Honduras for supplies. Moreover, the insurgents are causing the Sandinistas difficulty by controlling some key terrain and by striking at selected targets, rather than attempting large-scale attacks on major towns.

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States With Political Disturbances



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INDIA: Political Ferment in Three States

Political violence fomented by the opposition has broken out in three states. []

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Over 27,000 farmers in the state of Karnataka have mounted massive demonstrations over the past month against government agricultural policies. They have stopped road and rail traffic and paralyzed communications. According to press accounts, the Congress Party may be supporting the agitation in an effort to discredit the opposition party's ruling state government. []

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The northern state of Jammu and Kashmir has been racked by communal and political disturbances, and leaders of Prime Minister Gandhi's Congress Party have been implicated in the violence. The opposition government of Chief Minister Abdulla Farooq, however, recently won a vote of confidence. This has forestalled Gandhi's threat to impose President's Rule. []

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The US Embassy reports that in Maharashtra state, which is ruled by the Congress Party, various opposition groups have exploited protests by farmers. Last week, for example, they staged a one-day general strike that succeeded in closing business in Bombay, the nation's financial and industrial center. []

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Comment: This is an election year, and more disturbances are likely as the Congress Party and regional opposition parties maneuver for political advantage. Farm groups probably will continue their efforts to place agricultural issues on the national agenda. []

25X1

In states where Gandhi's party recently has lost major elections, the Prime Minister hopes to capitalize on local dissatisfaction with agricultural policies to topple regional opponents. In Maharashtra and other strongholds of the Congress Party, opposition coalitions are using the same tactic against Gandhi. They are attracting thousands of disaffected farmers to participate in demonstrations and strikes. []

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USSR-SOUTH KOREA: New Initiatives

Seoul and Moscow apparently have resumed contacts that were broken off last fall following the shootdown of the South Korean airliner, but they could be jeopardized by the USSR's interest in improving relations with North Korea. [REDACTED]

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The Soviets have told US diplomats they anticipate a more dynamic relationship with North Korea, as a result of the recent leadership changes in P'yongyang. The Chinese say their Embassy in Moscow also has been told to expect a substantial improvement in Soviet-North Korean relations this year. An East European diplomat who recently spoke with Soviet officials in Moscow claims that a visit by North Korean leader Kim Il-song is possible this spring. [REDACTED]

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Comment: South Korea has expected all along to revive its informal exchanges with the USSR gradually, after public outrage over the shootdown had subsided [REDACTED]

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[REDACTED] P'yongyang's attitude will influence Moscow. [REDACTED]

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The Soviets apparently are interested in improving their cool relations with P'yongyang, in part to ensure that they will have a voice in any negotiations on Korean reunification and related matters. Even if the USSR proceeds with the utmost caution in resuming contacts with South Korea, however, Moscow and P'yongyang will have to improve relations substantially before Kim will agree to visit the Soviet capital. [REDACTED]

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NORTH KOREA: Reaction to Military Exercise

North Korea on Saturday publicized an order instructing its military and reserve forces to strengthen "combat mobilization" in reaction to the annual US-South Korean military exercise Team Spirit 84, which began last week. The announcement contrasted the North's recent proposal for tripartite talks involving the US and South Korea with what it alleged were war maneuvers by Washington and Seoul.

25X1

Comment: The North's announcement this year is less strident than in 1983, when P'yongyang declared a "semistate of war" alert. The North Koreans probably hope to build international support for their proposal for talks. Seoul opposes the North's tripartite formula, which it believes would place South Korea in an inferior position.

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NIGERIA: Government's Lack of Progress

Reports from the US Embassy indicate that, one month after the coup, Head of State Buhari's government has done little to reassure the public that it can reverse economic decline, overcome administrative inertia, or calm rising tribal tensions. A purge of southerners in the military has increased their apprehensions that the northern-dominated regime is discriminating against them. Meanwhile, the Embassy reports the regime has indicated—partly out of economic necessity—that it will retain close relations with the US.

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Comment: Southern officers of middle rank could begin plotting a takeover if Buhari and his northern colleagues continue to single them out for corruption. Public disturbances are possible if southerners believe northern officials are discriminating against them economically and socially. Like previous regimes, the new government probably will balance pragmatic working relations with the West with an increase in nonaligned rhetoric, in order to appease domestic critics who believe Lagos has been too accommodating to Western interests.

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NICARAGUA: Tanker Safely Enters Mined Port

[redacted] a tanker bringing crude oil—probably from Mexico—has passed through mines laid by insurgents at Puerto Sandino, Nicaragua's main oil port. [redacted]

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Comment: No tankers had entered Puerto Sandino since the insurgents mined it in early January, and the Sandinistas probably felt pressed to bring a tanker into the port. They had shut down their refinery last week for lack of crude. Moreover, Managua probably wanted to demonstrate that the insurgents had failed to disrupt oil deliveries. [redacted]

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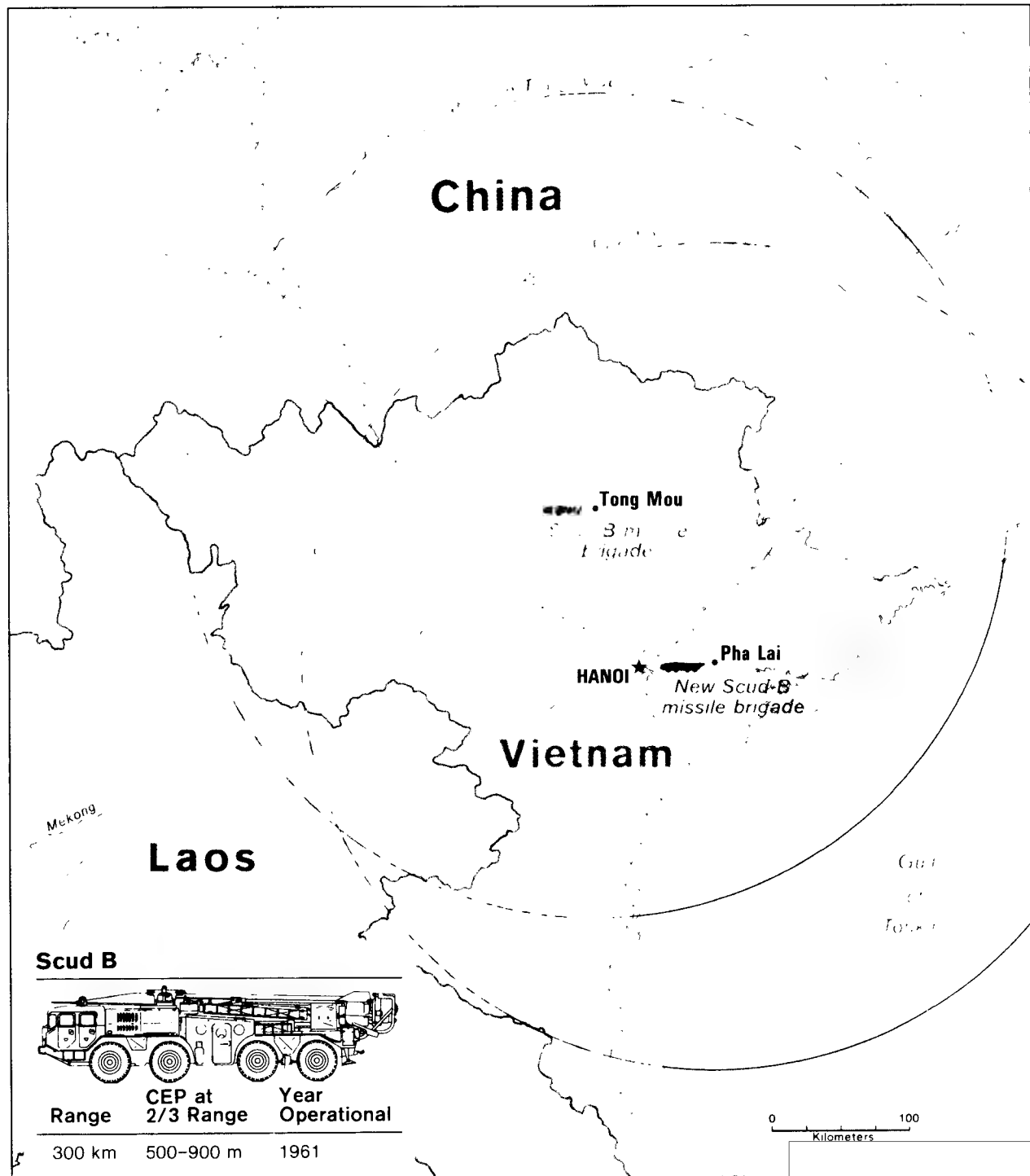
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VIETNAM-CHINA: More Missiles Opposite China

[redacted] Vietnam has deployed a second Scud-B tactical surface-to-surface missile brigade within striking distance of China. The new brigade is housed in a garrison at Pha Lai, 150 kilometers from the border, in Vietnam's strategic 2nd Corps area. The garrison was first observed under construction in late 1982, and [redacted] it is occupied and that training is under way. The first confirmed Scud unit was identified in early October 1982 at Tong Mou, 130 kilometers from the border. [redacted]

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Comment: Vietnam could use the 300-kilometer-range Scud-B to deliver high-explosive or chemical warheads against Chinese cities, strategic airfields, and lines of communication near the border. Vietnam's deployment of this second brigade with its elite forces along the Chinese border is another example of Hanoi's continuing effort to modernize its Army along Soviet lines. [redacted]

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BURMA: Insurgent Activity Increases

[redacted] Burmese security forces have defused seven bombs in the stadium where the Union Day celebration will be held on 12 February. [redacted] 50 members of the Karen ethnic insurgent group had infiltrated Rangoon to conduct terrorist activities during the celebration. The Army, meanwhile, is expanding its offensive against Karen bases along the Thai border. As many as 3,000 troops overran the second-largest Karen stronghold on 28 January. [redacted]

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Comment: The Karen have increased their terrorist activities over the past two years to publicize their long struggle for autonomy, and they probably planted the bombs. They may believe that Rangoon is more vulnerable as a result of the recent, massive purge of the security forces. The Army operation will have no immediate impact on terrorist activity. The bulk of the insurgents can seek sanctuary in Thailand, and others reportedly are located north of Rangoon. [redacted]

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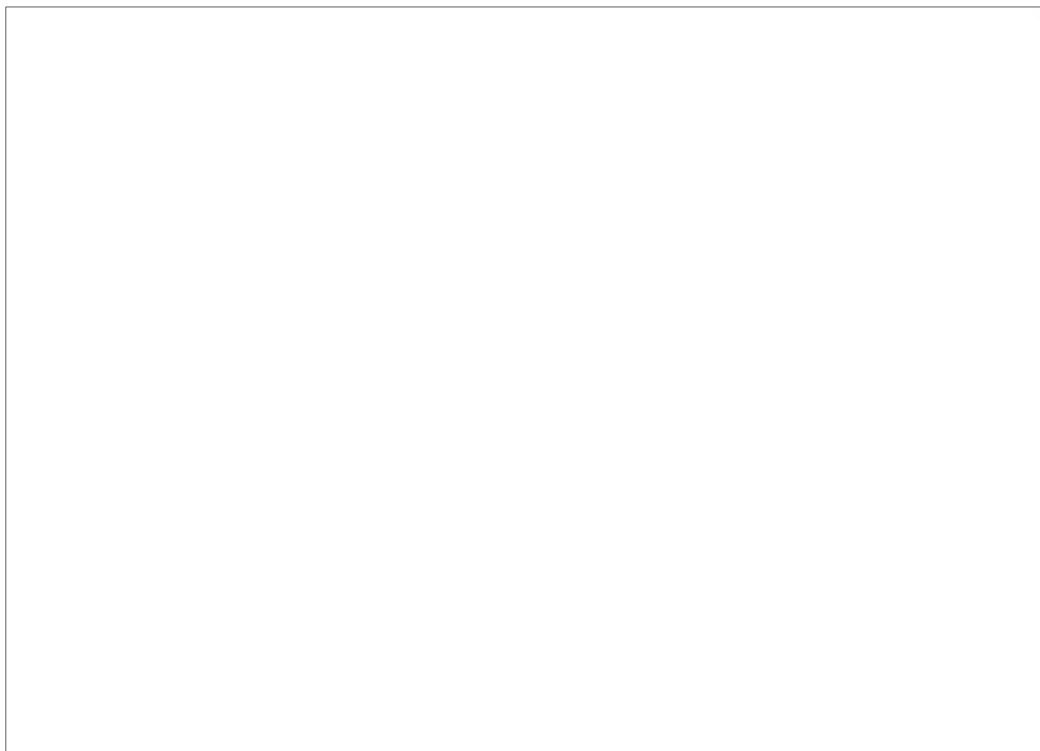
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CANADA: Naval Modernization Delayed

The US defense attache reports that Ottawa has decided to delay ordering six new frigates and is reexamining its program for replacing warships. In mid-1983 Ottawa ordered six new ASW frigates as the first step in a three-phase program to replace its obsolescent frigates and destroyers. The government also said it would soon order an additional six frigates under phase two, in order to reduce costs through large-scale procurement. No funds have been allocated for the phase-two ships, however, and knowledgeable Canadians have told the attache that they are concerned that funds available for the program may be reduced or eliminated while the reexamination is under way. [redacted]

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Comment: The government has embarked on a limited naval reequipment program in response to pressure from NATO and in an effort to create jobs. Modernization efforts are lagging, however, and a number of programs have been reduced. Delays in ship replacement will lead to higher costs and could reduce the Maritime Command's surface fleet from 20 operational warships to as few as 12 by the mid-1990s. [redacted]

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Special Analysis

EGYPT-US: The Military Debt Issue

Egypt's military debt to the US will be a key topic during visits by the Ministers of Economy and Investment to Washington early this week and by President Mubarak on Saturday. Cairo has declared that it will halt interest payments unless it and the US arrange bilateral rescheduling by July, and this issue will become increasingly difficult as the cutoff date approaches. Although the financial effects of the debt warrant concern by Egypt, the threat to halt payments is motivated primarily by political considerations. Cairo is seeking both to quiet domestic criticism of budget priorities and to gain greater benefits from the "special relationship" with Washington.

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Mubarak and other Egyptian policymakers are skeptical of US explanations that a debt payment suspension would cause an automatic cutoff of economic and military aid. The Egyptians continue to believe that something can be done bilaterally, rather than in multilateral negotiations, and Mubarak is likely to pursue this course vigorously.

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Financial Impact

The Egyptians contend that timely payment on military debt to the US and other Western donors will strain foreign exchange reserves and divert funds from domestic development. According to data provided by the Egyptian Government, service payments on this debt will take about 11 percent of Egyptian current account earnings, or \$1.3 billion, in FY 1984.

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The Egyptians claim that more than 60 percent of the payments due this fiscal year are owed to the US and France. Cairo has tentatively approached Paris about rescheduling its debt to the French.

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The Egyptian figures are highly questionable, probably because of sloppy bookkeeping. The amount said to be owed to the US—\$506 million—appears to be overstated by about \$135 million. Other components of the debt are likely to have been similarly overstated.

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Even so, military debt payments will require a good portion of the foreign exchange available to the central government. A substantial part of Egyptian current account earnings are in the free exchange market and are unavailable for use by the central bank in making repayments. The Egyptians, however, can use earnings from military sales that appear in separate Ministry of Defense accounts.

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Multilateral Rescheduling

Cairo has rebuffed arguments by donors that debt rescheduling should be carried out in multilateral talks. Mubarak and members of his government have expressed fear that rescheduling by the "Paris Club" of creditors would damage Egypt's international credit rating and reputation. [REDACTED]

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Cairo also probably is motivated by the fact that Paris Club action would require an Egyptian agreement with the IMF. Such an agreement would necessitate economic reforms—including higher prices for food and energy. Cairo's thinking is affected by the bread riots in Egypt in 1977 and the recent disturbances in Tunisia and Morocco, and it is unlikely to come to terms with the IMF until the parliamentary elections in late May, if then. [REDACTED]

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The "Special Relationship"

Mubarak has strong political reasons to stick to his demand for bilateral rescheduling. With elections coming, he wants to forestall criticism from opposition parties that military aid payments are diverting funds from development. Mubarak also wishes to show that his government's close ties to the US, also a source of criticism, are paying off in the form of generous aid. [REDACTED]

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Cairo's perception that Israel is receiving more favorable financial treatment than Egypt further complicates the issue. Egyptian leaders contend that the US has reneged on a commitment to maintain parity in aid to its two Camp David partners. If there is no bilateral rescheduling of its military debt, Cairo probably will ask for increased economic aid, both to cover the repayments and to move closer to parity with the Israelis. [REDACTED]

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The debt and aid issues have not diminished Cairo's reliance on the US to achieve a Middle East peace agreement. Egyptian leaders consider the US peace initiative to be the most promising basis for a comprehensive settlement. They have indicated, however, that they will turn to other formulas if US efforts falter. [REDACTED]

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Cairo believes it is supporting the initiative by encouraging PLO Chairman Arafat to reach an agreement with Jordanian King Hussein and by promoting a dialogue between the US and the PLO. [REDACTED]

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US-Egyptian military cooperation also has continued smoothly. Cairo, however, considers such cooperation and US aid to be parts of the same package. Mubarak may feel politically compelled to reduce the level of cooperation if he is unsatisfied on the military aid issue. [REDACTED]

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